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Improving the financial situation of the United Nations

Financial situation of the United Nations

Report of the Secretary-General

Addendum

Summary

The present report provides a review of the financial situation of the United Nations as at 31 December 2015 and 2016 and as at 30 April 2016 and 2017 and an update of the information presented in the previous report of the Secretary-General (A/71/440).

The report focuses primarily on four main financial indicators: assessments issued, unpaid assessed contributions, available cash resources and the Organization's outstanding payments to Member States.

Currently, the financial situation of the Organization is generally sound. At the end of 2016 cash balances were positive for peacekeeping operations and the tribunals. However, the last quarter of the year continues to be a difficult period for regular budget cash. As at 30 April 2017, the overall cash position was positive for all categories, although the regular budget cash position is projected to tighten again towards the end of the year.

An increased number of Member States are making timely contributions for all categories, including peacekeeping operations. The Secretariat is making every effort to expedite outstanding payments for troops and formed police units, as well as for contingent-owned equipment. The final outcome for 2017 will depend on Member States meeting their financial obligations.

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I. Introduction

1. The present report provides an update of the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/71/440) and a review of the financial indicators as at 31 December 2015 and 2016 and as at 30 April 2016 and 2017.

2. In the present report, the financial situation of the United Nations is considered on the basis of the four main financial indicators that have been used to measure the strength of the Organization: assessments issued, unpaid assessed contributions, available cash resources and the Organization's outstanding payments to Member States.

II. Review of the financial situation

3. At the end of 2016, unpaid assessments were lower than at the end of the previous year for the regular budget and the tribunals, but higher for peacekeeping operations. The level of unpaid peacekeeping assessments at the end of 2016 was related directly to the level of peacekeeping assessments, which fell in calendar year 2016 following the adoption of the new triennial scale of assessments in December 2015 (see General Assembly resolution 70/246). Cash balances were positive for peacekeeping operations and the tribunals at the end of 2016. However, the cash position of the regular budget continued to experience a tightening during the last quarter of the year, resulting in shortfalls.

4. More recently, as at 30 April 2017 unpaid assessments were lower in all categories compared with the previous year. Cash balances were positive for all areas, although the regular budget cash position is expected to tighten again towards the end of the year.

5. As regards troop costs and the cost of contingent-owned equipment, the level of outstanding payments to Member States was lower at the end of 2016 compared with the previous year.

A. Regular budget

6. The review of the regular budget situation as at the end of 2016 reflected a significant reduction in the unpaid assessments during the last quarter of the year (from $1.2 billion to $409 million). In 2017, regular budget assessments were issued at a level of approximately $2.6 billion, reflecting $29 million above the level issued in 2016. As at 30 April 2017, unpaid assessments amounted to $1.4 billion, reflecting $8 million lower than the level unpaid one year ago. The amount currently outstanding is concentrated among a few Member States, and the final outcome for 2017 will depend largely on action taken by them.

7. By the end of 2016, a total of 145 Member States had paid their regular budget assessments in full, which is 3 more than the number in 2015. The Secretary-General wishes to thank the 145 Member States that had honoured their obligations to the regular budget in full by 31 December 2016 and invites other Member States to follow their example.

8. More recently, as at 30 April 2017, 92 Member States had paid their assessments to the regular budget in full, 13 more than those that had paid by 30 April 2016. This is a significant improvement, and is due to the efforts of many Member States. The Secretary-General wishes to pay tribute to those 92 Member

States for their support for the work of the Organization and urges all other Member States to pay their assessed contributions in full as soon as possible.

9. Cash resources available for the regular budget under the General Fund include the Working Capital Fund, authorized at $150 million by the General Assembly, and the Special Account. The Special Account is currently at a level of $200 million.

10. During the last half of 2016, the regular budget experienced cash shortfalls. The shortfall had reached $354 million at the end of October and was covered by the Working Capital Fund and the Special Account, as well as through cross-borrowing from other accounts. Despite additional contributions received in October, November and December, the final position at 31 December 2016 reflected a $123 million cash shortfall under the regular budget, which was covered by the Working Capital Fund.

11. By 30 April 2017, regular budget cash had increased to $632 million as a result of the contributions made by Member States during the early months of the year. In 2017, however, pressure on regular budget cash will continue given the current reduced level of reserves resulting from the General Assembly's decisions on the use of the Special Account in recent years, as well its action to finance a significant level of activities through commitment authority (without assessment) during the biennium 2016-2017. The final cash position towards the end of 2017 will depend largely on the payments to be made by Member States in the coming months.

B. Peacekeeping operations

12. The changing demand for peacekeeping activities makes it hard to predict financial outcomes. In addition, peacekeeping has a different financial period, running from 1 July to 30 June rather than from 1 January to 31 December; assessments are issued separately for each operation; and, since assessment letters can be issued only through the mandate period approved by the Security Council for each mission, they are issued for different periods throughout the year. All of these factors make it challenging to draw a comparison between the financial situations of peacekeeping operations on the one hand and the regular budget and tribunals on the other.

13. Unpaid assessments for peacekeeping operations amounted to some $1.8 billion at the end of 2016, reflecting an increase of $826 million compared with the $976 million outstanding at the end of 2015. The level of unpaid assessments at the end of 2016 is related directly to the level of peacekeeping assessments in 2016. A significant portion of the assessments for the 2015/16 fiscal year for peacekeeping operations could be issued only after the decision on the new scale of assessments was reached in December 2015. More recently, as at 30 April 2017, while new assessments of $1.2 billion had been issued, the level of unpaid assessments had shrunk to below $1.7 billion. That amount includes assessments of $396 million issued on 26 April 2017 following the extension of the mandates for the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo and the United Nations Stabilization Mission in Haiti.

14. Owing to the unpredictable amount and timing of peacekeeping assessments throughout the year, it can be difficult for Member States to keep fully current with them. By 31 December 2016, 24 Member States had paid all peacekeeping assessments in full. The Secretary-General wishes to give special thanks for those payments to Armenia, Australia, Bosnia and Herzegovina, Canada, Cuba, France, Georgia, Germany, Ireland, Israel, Italy, Latvia, Liechtenstein, Monaco, the

Netherlands, New Zealand, Norway, the Republic of Korea, Romania, Saint Kitts and Nevis, Senegal, Switzerland, Tuvalu and the United Republic of Tanzania.

15. By 30 April 2017, the number of Member States that had paid all due and payable peacekeeping assessments in full had doubled, to 48. The Secretary-General would like to pay special tribute to these 48 Member States for their efforts. They were Andorra, Angola, Australia, Austria, Benin, Bhutan, Bosnia and Herzegovina, Brunei Darussalam, Canada, China, Côte d'Ivoire, Cyprus, Denmark, Estonia, Finland, France, Georgia, Germany, Hungary, Iceland, India, Ireland, Japan, Kazakhstan, Kuwait, Kyrgyzstan, Liberia, Liechtenstein, Mali, Monaco, Myanmar, Nauru, the Netherlands, New Zealand, Norway, Papua New Guinea, Qatar, the Republic of Korea, Saint Kitts and Nevis, Senegal, Singapore, Slovakia, Slovenia, Solomon Islands, South Africa, Spain, Sweden and Switzerland.

16. Although the cash available for peacekeeping at the end of 2016 totalled approximately $4.1 billion, this amount is segregated in accordance with the General Assembly's decision to maintain separate accounts for each operation. In its resolutions on the financing of peacekeeping operations, the Assembly has specified that no peacekeeping mission should be financed by borrowing from other active peacekeeping missions. The use of the Peacekeeping Reserve Fund is restricted to new operations and the expansion of existing ones. The cash available at the end of 2016 comprised approximately $3.8 billion in the accounts of active missions, $211 million in the accounts of closed missions and $138 million in the Peacekeeping Reserve Fund.

17. As regards outstanding payments to Member States, the amount owed for troops, formed police units and contingent-owned equipment totalled $808 million at the end of 2016, reflecting a decrease of $16 million from the $824 million owed at the start of the year.

18. As at 31 March 2017, a total of $777 million, comprising $225 million for troops and formed police units, $466 million for contingent-owned equipment claims for active missions and $86 million for contingent-owned equipment claims for closed missions, was owed to Member States. As at that date, payments for troops and formed police unit costs were current up to January 2017 for all active missions except for the United Nations Mission for the Referendum in Western Sahara, for which payments were current up to October 2016. Payments for contingent-owned equipment claims were current up to December 2016 for all active missions. The total amount owed is projected to be $804 million at the end of 2017.

19. The Secretary-General is committed to meeting the Organization's obligations to Member States providing troops and equipment as expeditiously as possible as the cash situation permits. In this regard, the peacekeeping cash situation is monitored constantly, and the Organization endeavours to maximize the quarterly payments on the basis of the available cash and data as a matter of priority. To effect those payments, the United Nations depends on Member States meeting their financial obligations in full and on time, and also on the expeditious finalization of memorandums of understanding with troop contributors for the provision of equipment.

C. International tribunals

20. The financial position of the tribunals continues to be sound. At the end of 2016, unpaid assessments relating to the international tribunals amounted to $40 million, which was $25 million lower than the $65 million owed at the end of 2015.

21. By 31 December 2016, 116 Member States had paid their assessed contributions for the international tribunals in full, which is 9 more than had done so by the end of 2015. The Secretary-General wishes to express sincere thanks to those 116 Member States and urges others to follow their example.

22. More recently, as at 30 April 2017, unpaid assessments for tribunals amounted to $91 million, slightly below the level of $93 million the previous year. By 30 April 2017, 64 Member States had paid their assessed contributions to the tribunals and the International Residual Mechanism for Criminal Tribunals in full, 12 more than had done so the previous year. The month-by-month position of cash balances for the tribunals has been positive in 2015, 2016 and, so far, in 2017. The final outcome for 2017 will depend on Member States continuing to honour their financial obligations to the tribunals.

III. Conclusions

23. At present, the overall financial situation of the Organization is generally sound. Thanks to the efforts made by many Member States to expedite payments to the Organization, there are increases in the number of Member States meeting their obligations in full in every category compared with the previous year. Unpaid assessments are currently lower in all categories compared with the situation one year ago.

24. However, unpaid regular budget assessments continue to be highly concentrated, and the final position of the regular budget for 2017 depends on action by the remaining Member States. The experience of the past few years shows that the last quarter of the year is a very difficult period with regard to regular budget cash. It was again necessary to draw on regular budget cash reserves from both the Working Capital Fund and the Special Account during the final months of 2016. That year those reserves proved to be insufficient, and it was necessary to cross-borrow from other accounts. Given this experience, it would be prudent to review the level of regular budget reserves.

25. Currently, the overall cash situation is positive for all categories thanks to the continued efforts of many Member States. The Secretary-General wishes to express his deep appreciation for those efforts. The Secretariat will continue to closely monitor the cash flow and ensure prudent financial management of resources.

26. An increased number of Member States are making timely contributions to peacekeeping operations, and the Secretariat is making every effort to expedite outstanding payments to Member States that contribute troops, police and contingent-owned equipment.

27. The Secretary-General wishes to pay a special tribute to the Member States that have paid all assessments that were due and payable. As at 3 May 2017, these were Andorra, Angola, Australia, Austria, Benin, Bhutan, Bosnia and Herzegovina, Brunei Darussalam, Canada, China, Denmark, Estonia, Finland, Georgia, Germany, Hungary, Iceland, India, Ireland, Italy, Japan, Kazakhstan, Kuwait, Kyrgyzstan, Liberia, Liechtenstein, Mali, Monaco, Myanmar, the Netherlands, New Zealand, Senegal, Singapore, Slovenia, Solomon Islands, South Africa, Spain, Sweden and Switzerland. Payments were received from Kenya and Norway after 3 May 2017, bringing the total, at the time of writing, to 41.

28. As always, the financial health of the United Nations continues to depend on Member States meeting their financial obligations in full and on time.